(3)

Supreme Court, U.S.
FILED
JAN 30 1998
CLERK

No. 97-1038

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

EVANS COOLING SYSTEMS, INC. and PATENT ENFORCEMENT FUND, INC.,

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

KARL R. FINK
(Counsel of Record)
JOHN F. FLANNERY
FITCH, EVEN, TABIN
& FLANNERY
135 South LaSalle Street
Suite 900
Chicago, Illinois 60603-4277
(312) 372-7842

Attorneys for Petitioners

Midwest Law Printing Co., Chicago 60610, (312) 321-0220

13 pp

LIST OF PARTIES AND RULE 29.6 STATEMENT

The parties to the proceeding are the parties shown in the caption of this Petition. The following are parent companies, subsidiaries and/or affiliates (except wholly owned subsidiaries) of certain corporate petitioners: Patent Enforcement Fund, Inc. is a subsidiary of Valutron N.V.

TABLE OF CONTENTS

PAGE

LIST OF PARTIES AND RULE 29.6 STATEMENT i

TABLE OF CONTENTS ii

TABLE OF AUTHORITIES iii

I. The Court Of Appeals Held That GM's Trade Secret Misappropriation And Instigation Of An Offer For Sale By Its Dealer Does Not Prevent Application Of The On Sale Bar 1

II. The Decision Of The Court Of Appeals Conflicts With This Court's Precedents 2

III. GM's Other Arguments On The Merits Are Weak And Contrary To This Court's Precedents 5

IV. The Policy Issues Raised Herein Are Significant 7

CONCLUSION 8

TABLE OF AUTHORITIES

Cases: PAGE

Andrews v. Hovey,
124 U.S. 694 (1888) 2, 3

City of Elizabeth et al. v. American Nicholson Pavement Co., 97 U.S. 126 (1878) 5, 6

Diamond Scientific Co. v. Ambico, Inc.,
848 F.2d 1220 (Fed. Cir. 1988) 5

Kendall v. Winsor,
62 U.S. (21 How.) 322 (1859) 2-6

Kewanee Oil Co. v. Bicron Corp.,
416 U.S. 470 (1974) 4, 8

Pennock v. Dialogue,
27 U.S. (2 Pet.) 1 (1829) 2-5

Scott Paper v. Marcalus Mfg. Co.,
326 U.S. 249 (1945) 6

Shaw v. Cooper,
32 U.S. (7 Pet.) 292 (1833) 2-4

Smith v. Goodyear Dental Vulcanite Co.,
93 U.S. 486 (1876) 6

Woodbury Patent Planing-Machine Co. v. Keith,
101 U.S. 479 (1880) 6

Statutes:

35 U.S.C. § 102(b) 5

The brief of Respondent, General Motors Corporation ("GM"), in opposition to the petition for a writ of certiorari incorrectly argues that the issue before this Court was not decided by the Court of Appeals, and incorrectly argues that the decision of the Court of Appeals does not conflict with this Court's precedents and the policies of patent and trade secret law, as discussed below.

I. The Court Of Appeals Held That GM's Trade Secret Misappropriation And Instigation Of An Offer For Sale By Its Dealer Does Not Prevent Application Of The On Sale Bar

The opinion below of the Court of Appeals specifically held,

> [W]e decline to create an exception to the on sale bar for those instances in which a third party misappropriates the invention and later places the invention on sale or causes an innocent third party to place the invention on sale. . .

App. 1-2. Therefore, contrary to GM's argument, the issue of whether the on sale bar should not apply because of GM's surreptitious and fraudulent theft of the invention of the patent-in-suit and placement of the invention on sale, including instigation of the alleged offer for sale by its dealer, was decided adversely to Petitioners by the Court of Appeals, and the decision must be reversed by this Court. GM's attempt to dodge this petition for a writ of certiorari by suggesting that the issue was not decided by the Court of Appeals is clearly unfounded.

II. The Decision Of The Court Of Appeals Conflicts With This Court's Precedents

GM's argument that the decision of the Court of Appeals is not in conflict with this Court's precedents is similarly unfounded. It is undisputed that GM is the manufacturer of the 1992 Corvette that was allegedly offered for sale by its dealers, including the dealer for the alleged Najarian order. Similarly, it is undisputed that GM instigated the alleged offer for sale by the dealer for the Najarian order by sending an "Order Guide" and brochure for the 1992 Corvette to the dealer in April or May, 1991. App. 2-3. Therefore, as discussed in Petitioner's opening brief, under this Court's precedents in *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829); *Shaw v. Cooper*, 32 U.S. (7 Pet.) 292 (1833); *Kendall v. Winsor*, 62 U.S. (21 How.) 322 (1859); and *Andrews v. Hovey*, 124 U.S. 694 (1888), the patent-in-suit should not be invalidated by the alleged sales activities of GM's dealers because such activities are clearly tied to and instigated by GM, the trade secret thief.

The Court of Appeals went to great lengths to attempt to distinguish this case from this Court's above-referenced precedents, and GM reiterates such distinctions in its opposition brief. However, the result of the decision of the Court of Appeals is to allow a trade secret thief to profit from his own wrong and destroy otherwise valid patent rights by instigating an offer for sale of the stolen invention. This result is clearly in conflict with this Court's above-referenced precedents, and must be reversed.

GM reiterates the reliance of the Court of Appeals on the fact that the statutory language at issue in *Kendall*

provided an immunity from suit for prior users of a patented invention, and the statutory language in issue was not an on sale or public use bar as in today's statute. However, such a distinction ignores the fact that the *Kendall* decision specifically reviewed and approved the earlier decisions of *Pennock* and *Shaw* wherein the Court clearly and unambiguously stated that a statutory public use bar cannot be invoked when the public use is instigated by a surreptitious fraud on the inventor. Further, this Court's later decision in *Andrews* specifically confirmed the principles in *Kendall* as they apply to the statutory public use bar that is analogous to today's statutory bar.

Similarly, this Court has already rejected GM's argument that "it does not make sense for the bar to turn on the character of the particular party that causes the disclosure of the invention to the public" (Brief, p. 8). This Court's above-referenced precedents hold that when the "character" who instigates the alleged barring event is a fraudulent and surreptitious misappropriator of the invention, as GM is here, then the true inventor will not be deprived of his patent rights.

GM goes on to argue that "[e]very court this century" that has considered this issue has not followed this Court's decisions in *Pennock, Shaw, Kendall* and *Andrews*, and that the "uniform judgment of history" is that such decisions of this Court are not controlling (Brief, p. 8). However, the decisions of this century to which GM is referring are lower court decisions, not this Court's decisions, which is no basis to reject this Court's long-standing precedents.

GM's argument that this Court's decision in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), confirms GM's view of "the uniform judgment of history" and effectively overrules, *sub silentio, Pennock, Shaw, Kendall* and *Andrews* is unfounded. *Kewanee* merely decided that state trade secret protection may coexist with the federal Patent Act, and did not purport to base its holding on the premise that a trade secret thief may invalidate otherwise valid patent rights with the fruits of misappropriation. To the contrary, *Kewanee* does not erode patent rights in any manner, and cannot be read to overrule this Court's above-referenced precedents.

Kewanee confirms that trade secret rights are "far weaker protection in many respects than patent law." 416 U.S. at 489-90. Such weakness in the trade secret laws emphasizes the inadequacy of relegating Petitioners to pursuit of a trade secret misappropriation action against GM in state court, and supports Petitioners' argument that this Court should not allow GM's trade secret misappropriation to destroy Petitioners' powerful exclusive patent rights.

Further, to the extent that lower court decisions and *Kewanee* are being used to justify a failure to follow this Court's precedents on this issue, this Court should put a stop to such practice. The Court should hear this case in order to reaffirm its above-referenced precedents as they apply to today's Patent Act.

III. GM's Other Arguments On The Merits Are Weak And Contrary To This Court's Precedents

GM argues that the statutory provision in question, 35 U.S.C. § 102(b), does not allow for an "exception" for trade secret misappropriation (Brief, p. 10), reiterating the Court of Appeals' same conclusion. App. 1, 13. However, this Court aptly disposed of this argument in *Pennock*, stating,

> [I]f before his application for a patent his invention should be pirated by another, or used without his consent; *it can scarcely be supposed that the Legislature had within its contemplation such knowledge or use . . . The use here referred to has always been understood to be a public use, and not a private or surreptitious use in fraud of the inventor.*

27 U.S. at 19, 20 (emphasis added). *See also Kendall*, 62 U.S. at 330.

Further, the alleged "absolute" statutory bar of § 102(b) is "softened" by other well-established doctrines, including the experimental use doctrine, *City of Elizabeth et al. v. American Nicholson Pavement Co.*, 97 U.S. 126, 137 (1878), and the doctrine of assignor estoppel, which bars an assignor of a patent from later challenging the validity of the assigned patent. *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988).

Assignor estoppel, like the "shield of protection" that this Court interposes between "the inventor and the fraudulent spoliator," *Kendall*, 62 U.S. at 329, is an equitable doctrine that was developed to prevent unfairness and injustice, and to prevent one from benefitting from his own wrong. *Diamond Scientific*, 848 F.2d at 1224. An assignor of a patent implicitly represents that

the assigned patent rights are not worthless. To allow him to make that representation at the time of assignment and later to repudiate it would work an injustice against the assignee. Therefore, the assignor is barred from challenging the validity of the assigned patent because he "is not part of the general public but is apart from the general public." *Id.* (quoting from *Scott Paper v. Marcalus Mfg. Co.*, 326 U.S. 249, 261-62 (1945) (Frankfurter, J., dissenting)).

Similarly, a trade secret thief is "not a part of the general public but is apart from the general public," and should be barred or estopped from using the fruits of trade secret misappropriation to create a statutory bar regarding a patent obtained by the rightful holder of the trade secret.

GM further argues that it should be permitted to invalidate the patent-in-suit because the alleged delay of inventor John W. Evans ("Evans") in filing his patent application is antithetical to the policies of encouraging prompt filing of patent applications and preventing withdrawal of inventions in the public domain. However, this Court has already held that delay is permitted to test and develop the invention, *Kendall*, 62 U.S. at 328-29; *City of Elizabeth*, 97 U.S. at 137, and delay is permitted where the inventor is broke and does not abandon the invention. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 501 (1876); *Woodbury Patent Planing-Machine Co. v. Keith*, 101 U.S. 479, 485-86 (1880). As detailed in Petitioners' opening brief, Evans' delays in filing were for these reasons, and GM contributed substantially to such delays. Therefore, GM's repeated cries that Evans "relied" on trade secret protection, and "scorned the goal of

prompt filing" because he was "unaware of any public interest" in his invention, are factually unfounded, and not supported by the decision of the Court of Appeals.

GM's argument that the Court should be concerned about contravening the policy of preventing withdrawal of inventions from the public domain because "hundreds of retail customers . . . had come to believe that the accused system was freely available" is also factually unfounded. It is undisputed that none of GM's alleged customers had specific knowledge of the invention of the patent in-suit at the time they allegedly placed their orders. The 1992 Corvette had not yet been produced by GM. The only public information regarding the cooling system that was allegedly distributed by GM at that time was a general reference to a reverse flow cooling system contained in a brochure. App. 2. However, it is undisputed that the brochure did not disclose any details of the reverse flow cooling system. To the contrary, GM had gone to great lengths to keep such details confidential until after the critical date of July 1, 1991. Thus, the alleged concern over withdrawal of inventions from the public domain is non-existent here.

IV. The Policy Issues Raised Herein Are Significant

As discussed in Petitioners' opening brief, this Court should reverse the decision of the Court of Appeals in order to protect the policies of our patent and trade secret laws of fostering technological growth and industrial innovation. Allowing GM's theft and use of the invention to invalidate the patent-in-suit defeats such goals, and insidiously encourages and rewards trade

secret misappropriation as a means of technological and commercial advancement of both GM and the public.

In view of the obvious threat that the Court of Appeals' decision presents to the goals of our patent and trade secret laws, GM's argument that the policy concerns raised in this Petition are not of broad significance is unpersuasive. The fact that the specific issue has not been raised and decided more frequently by the lower courts is no evidence of the lack of importance of the issue. To the contrary, this Court has acknowledged the importance of maintaining integrity and encouraging invention in the commercial world by discouraging and not sanctioning trade secret misappropriation. *Kewanee*, 416 U.S. 482-83. As evidenced in this action, trade secret misappropriation is a disease that continues to spread, and it threatens to destroy the creative genius of individual inventors like John W. Evans, the inventor of the patent-in-suit.

Therefore, this Court should grant the petition and review this case to negate the adverse effects of the Court of Appeals' decision, and to preserve the integrity of our patent system and commercial world.

CONCLUSION

The Court of Appeals' decision is contrary to this Court's precedents that prevent a trade secret thief from invalidating a patent by fraudulent and surreptitious theft and use of the invention. The Court of Appeals' decision defeats the goals and impairs the integrity of our patent and trade secret laws by encouraging and rewarding thievery as a means for technological and

commercial advancement. Respondent GM, the self-professed world's largest corporation, and other trade secret thieves stand to benefit at the expense of "every-man" Evans and others like him from this decision. Petitioners pray that this Court grant Petitioners' writ, reverse the Court of Appeals' decision in order to reaffirm this Court's above-referenced precedents, which are as timely as ever, and reverse a grave injustice.

Respectfully submitted,

KARL R. FINK
(Counsel of Record)
JOHN F. FLANNERY
FITCH, EVEN, TABIN
& FLANNERY
135 South LaSalle Street
Suite 900
Chicago, Illinois 60603-4277
(312) 372-7842

Attorneys for Petitioners

Date: January 29, 1998